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NEWS RELEASE

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Board Issues $279 Million in Triple-A Rated School Improvement Revenue Bonds

(PHOENIX, AZ – July 25, 2002) The Arizona School Facilities Board recently issued approximately $279 million dollars in revenue bonds to help finance the cost of bringing school facilities up to state standards. This sale represents the final portion of bonds to be issued from the Board's $800 million authorization for the correction of school facility deficiencies. The bonds received triple-A ratings from the three national credit rating agencies, Moody's Investors Service, Standard and Poor's, and Fitch IBCA.

The yields on the Series 2002 bonds are among the lowest achieved on comparably rated tax-exempt bonds over the past ten years. The yields range from 1.50% in 2003 to 4.86% in 2020 for a total blended interest cost of 4.553%. These rates are approximately 30 basis points (.30%) lower than the inaugural sale of $500 million by the Board in 2001, reflecting a continuing strong fixed income market.

Financial consultants to the Board Bob Casillas and Grant Hamill, Managing Directors of Peacock, Hislop, Staley and Given, Inc., commented that the demand for the Board's bonds from both institutional and retail (i.e. individual) buyers was very strong on both bond issues, which allowed the underwriters to market the bonds at the lowest interest rates possible. Casillas explained, "Investors were keenly attracted to the bonds because they represented a new name in the market and also because the bonds achieved triple-A ratings from all three national credit rating agencies. This accomplishment is a rarity, especially for a revenue bond backed by a statewide sales tax." According to Hamill, "Achieving the highest credit ratings is primarily a result of the very strong coverage of pledged education sales tax revenues to annual debt service and the limited amount of $800 million in bonding authorization provided under the Act, as well as a large, diverse and growing statewide economic tax base."

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Upon closing of the Series 2002 bond issue, the Board's annual debt service obligation for deficiency correction will be approximately $63 million. At the initiation of the program, the annual debt service cost was estimated to be $70 million, seven million more than the actual cost. This seven million dollar savings will directly benefit the beneficiaries of Proposition 301 monies, including universities, community colleges and the Classroom Site Fund.

"We are extremely pleased with the results of the sale and appreciate the efforts of our financial consultants Peacock, Hislop, Staley and Given, Inc., underwriting team, headed by Salomon Smith Barney, bond counsel Squire, Sanders and Dempsey, L.L.P., and SFB Deputy Director of Finance John Arnold," said Edward Boot, Executive Director of the School Facilities Board. "Proceeds of the bonds will help fund school deficiency correction projects statewide." The billion-dollar program consists of over 6,100 projects and must be completed by June 30, 2004.

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